



ANNUAL REPORT

1967

CANADIAN SECURITY MANAGEMENT LIMITED

CANADIAN SECURITY MANAGEMENT LIMITED

MANAGERS AND DISTRIBUTORS OF

CANADIAN GAS AND ENERGY FUND LTD.

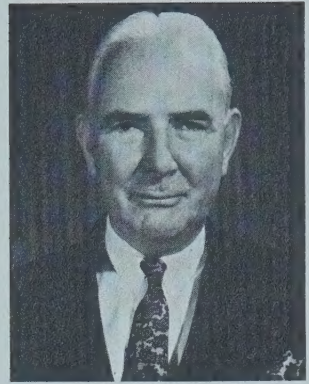
CANADIAN SECURITY GROWTH FUND LTD.

SUMMARY

<i>For the year ended December 31</i>	1967	<i>1966</i>	<i>1965</i>	<i>1964</i>	<i>1963</i>
Total Sales (cash or contract basis)	\$27,087,238	<i>\$19,599,424</i>	<i>\$20,047,657</i>	<i>\$11,992,153</i>	<i>\$ 1,153,949</i>
Fees — Sales	439,330	<i>341,078</i>	<i>334,575</i>	<i>194,277</i>	<i>8,336</i>
— Management	124,615	<i>76,269</i>	<i>50,237</i>	<i>32,337</i>	<i>7,507</i>
Other Income	9,418	<i>9,392</i>	<i>9,098</i>	<i>10,713</i>	<i>2,402</i>
Total Income	573,363	<i>426,739</i>	<i>393,910</i>	<i>237,327</i>	<i>18,245</i>

As at December 31

Value of Contractual Plans on record	\$48,165,000	<i>\$33,865,150</i>	<i>\$22,217,700</i>	<i>\$ 9,763,750</i>	<i>\$ 952,160</i>
Sales Fees receivable (after allowance for cancellation)	899,588	<i>562,903</i>	<i>390,681</i>	<i>214,616</i>	<i>28,073</i>
Assets under Administration	34,754,103	<i>18,324,438</i>	<i>12,380,579</i>	<i>8,512,001</i>	<i>6,600,913</i>
Number of Shareholders and Planholders in the Funds	13,979	<i>10,872</i>	<i>7,961</i>	<i>4,101</i>	<i>1,821</i>
Number of Representatives and Managers	240	<i>195</i>	<i>213</i>	<i>151</i>	<i>60</i>
Number of sales offices	17	<i>18</i>	<i>15</i>	<i>9</i>	<i>2</i>



TO THE SHAREHOLDERS:

On behalf of your Board of Directors I am pleased to report on your Company's progress during 1967. Combined sales of the two Mutual Funds which we manage and distribute amounted to \$27,087,238, an increase of 38.2% over sales during 1966. Sales fees increased from \$341,078 to \$439,330 reflecting the benefit of the increase in sales volume.

Assets under our administration rose from \$18,324,438 to \$34,754,103 for a gain of 89.7%. Percentage increase in growth of assets over the year substantially outpaced that of the Mutual Fund industry. Funds represented by the Canadian Mutual Funds Association experienced a total gain of 25.4%. The increase in assets resulted in an increase in Management fees earned for the year from \$76,269 in 1966 to \$124,615. The revenue from this part of our operations is becoming a rapidly increasing portion of the income earned by your Company.

Our operating deficit for the year amounted to \$70,968 but was reduced by a non-recurring profit on the sale of securities to an actual deficit of \$29,768. This is a substantial improvement over results achieved during 1966.

Indicative of the progress of your Company and most encouraging to your Directors is the fact that a small operating profit was achieved during the last half of the year. My report to you as of June 30, 1967 showed a net operating loss for the year, to that date, of \$75,168. An operating profit of \$4,200 was earned in the following six months.

Of importance to future earnings is the considerable increase in our sales fees receivable to \$899,588. This represents the income your Company expects to receive from contractual plans already on the books, after making provisions for adequate reserve against loss of income due to plan cancellations. During 1967 we increased our sales force from 195 to 240. This additional representation should assist us to increase sales, and income from that source during the coming year.

Our International Operation has expanded to 18 dealers situated in Latin America, Western Europe, the Middle East and the Far East. During 1967 sales from this source increased substantially over those achieved in 1966.

The future marketability of our two Funds, Canadian Gas and Energy Fund Ltd., and Canadian Security Growth Fund Ltd., is based, to some extent, upon their performance. Both Funds, during 1967, produced highly satisfactory results for their shareholders. The net asset value per share of Canadian Gas and Energy Fund increased 27.4% during 1967 while that of Canadian Security Growth Fund increased 30.9%. The management and research staffs of the company are confident that future performance will continue to be most satisfactory.

Organizational steps have been taken to further improve our operations, by the appointments of John S. Ewald to Vice-President, Charles H. Bennett to Director of Sales (Domestic), George M. Adorjany to Director of Sales (International), and E. J. Dessailly to Treasurer.

On behalf of the Board of Directors I would like to thank all members of our staff, both in the sales field and at Home Office, for their loyalty and efforts which have contributed substantially to our success during the year.

On behalf of the Board of Directors,

Graham Ferguson
President.

April 5, 1968.

CANADIAN SECURITY MANAGEMENT LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

ASSETS

	1967	1966
CURRENT		
Cash	\$ 138,396	\$ 29,096
Accounts receivable	134,119	90,935
Marketable securities — cost (market value \$149,200)	100,000	
Fees receivable	126,735	86,612
Prepaid expenses	31,658	24,459
	<u>\$ 530,908</u>	<u>\$ 231,102</u>
INVESTMENT IN A WHOLLY OWNED SUBSIDIARY — at cost [Note 7]	<u>\$ 24,346</u>	<u>\$ 15,658</u>
INVESTMENTS — at cost	<u>\$ 250,012</u>	<u>\$ 550,012</u>
(Quoted market value — 1967 \$140,000 — 1966 \$482,000)		
FIXED — at cost [Note 1]		
Furniture and equipment	\$ 161,363	\$ 136,150
Leasehold improvements	\$ 30,183	\$ 25,415
Less: Amortized to date	11,712	7,707
	<u>\$ 18,471</u>	<u>\$ 17,708</u>
	<u>\$ 179,834</u>	<u>\$ 153,858</u>
DEFERRED		
Fees receivable	\$ 772,854	\$ 476,291
Warrant redemption fund	120,153	155,435
	<u>\$ 893,007</u>	<u>\$ 631,726</u>
OTHER		
Organization and financing expenses	\$ 73,578	\$ 73,578
Preoperating expenses [Note 2]	24,590	24,590
	<u>\$ 98,168</u>	<u>\$ 98,168</u>

Approved by the Board

G. C. FERGUSON, Director

J. S. GAIRDNER, Director

AUDITORS' REPORT

To the Shareholders,
Canadian Security Management Limited.

We have examined the balance sheet of Canadian Security Management Limited as at December 31, 1967 and the related statements of income and expenses and deficit, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
April 3, 1968.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants

\$ 1,976,275

\$ 1,680,524

BALANCE SHEET AS AT DECEMBER 31, 1967

(WITH COMPARATIVE FIGURES FOR 1966 [Note 6])

LIABILITIES

	1967	1966
CURRENT		
Bank loan (secured)	\$ 125,000	
Accounts payable and accrued liabilities	81,424	\$ 133,033
Commission payable	48,115	28,933
	<u>\$ 254,539</u>	<u>\$ 161,966</u>
OTHER		
7% convertible debentures due 1971 [Note 3]	\$ 250,000	\$ 250,000
Bank loan — secured		125,000
	<u>\$ 250,000</u>	<u>\$ 375,000</u>
RESERVES		
Warrant stabilization fund	\$ 95,367	\$ 43,824
Deferred income	899,588	562,903
Warrant redemption fund [Note 4]	120,153	155,435
	<u>\$ 1,115,108</u>	<u>\$ 762,162</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Class 'A' non-voting participating shares with a par value of \$1 each		
Authorized — 1,500,000 shares		
Issued — 1967 — 775,000 shares [Note 5]	\$ 775,000	
1966 — 770,000 shares		\$ 770,000
Common shares with a par value of \$1 each		
Authorized — 200,000 shares		
Issued — 15 shares	15	15
	<u>\$ 775,015</u>	<u>\$ 770,015</u>
DEFICIT	<u>418,387</u>	<u>388,619</u>
	<u>\$ 356,628</u>	<u>\$ 381,396</u>

NOTES:

1. No depreciation on furniture and equipment has been charged against income during the year covered by these accounts.

2. The preoperating expenses and \$22,523 of the organization and financing expenses will be charged against income in future years.

3. The 7% convertible debentures may be converted at any time prior to November 1, 1971 into Class 'A' non-voting shares at the rate of 40 shares for each \$100 principal amount.

4. The warrant stabilization fund represents profits from trading in Canadian Gas and Energy Fund Ltd. Series 'B' warrants. Pursuant to arrangements with the Ontario Securities Commission made in 1965 all funds derived from such trading are to be used in stabilizing the warrant market and for assistance in eventual elimination of such warrants.

5. During the year, 5,000 Class 'A' non-voting shares were issued for a cash consideration of \$5,000.

6. The 1966 figures have been re-allocated on the basis used for 1967.

7. The wholly owned subsidiary is non-operating and the increase in the investment represents further cash advances.

\$ 1,976,275

\$ 1,680,524

STATEMENT OF INCOME AND DEFICIT ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1967

(WITH COMPARATIVE FIGURES FOR 1966)

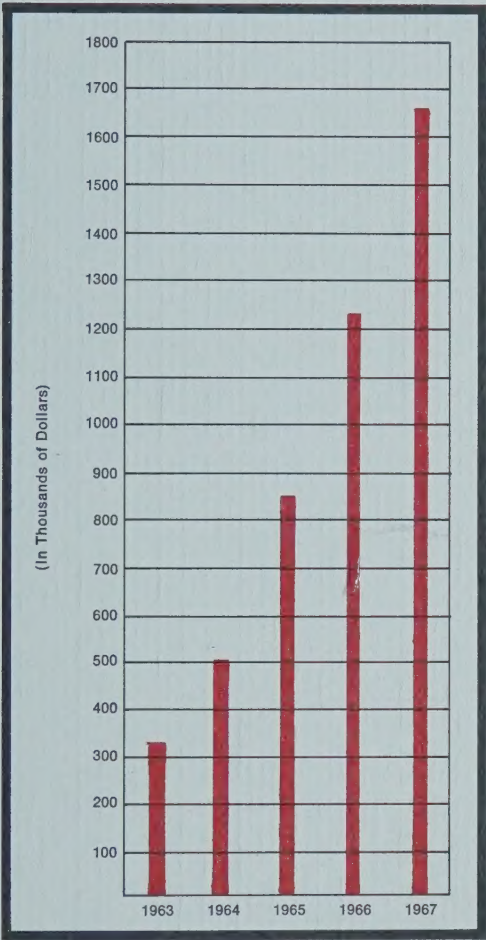
	1967				1966			
	Sales	Management	Other	Total	Sales	Management	Other	Total
INCOME								
Net fees received	\$439,330	\$124,615		\$563,945	\$341,078	\$76,269		\$417,347
Interest			\$6,618	6,618			\$1,592	1,592
Dividends from Canadian Corporations			2,800	2,800			7,800	7,800
Total income	\$439,330	\$124,615	\$9,418	\$573,363	\$341,078	\$76,269	\$9,392	\$426,739
EXPENSES	610,527	33,804		644,331	586,302	8,649		594,951
DEFICIT (INCOME) ON OPERATIONS FOR THE YEAR	\$171,197	(\$ 90,811)	(\$9,418)	\$ 70,968	\$245,224	(\$67,620)	(\$9,392)	\$168,212
Add: Deficit on operations at beginning of year				388,619				220,407
				<u>\$459,587</u>				<u>\$388,619</u>
Less: Realized appreciation on investments				41,200				
DEFICIT AS PER BALANCE SHEET				<u>\$418,387</u>				<u>\$388,619</u>

STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1967

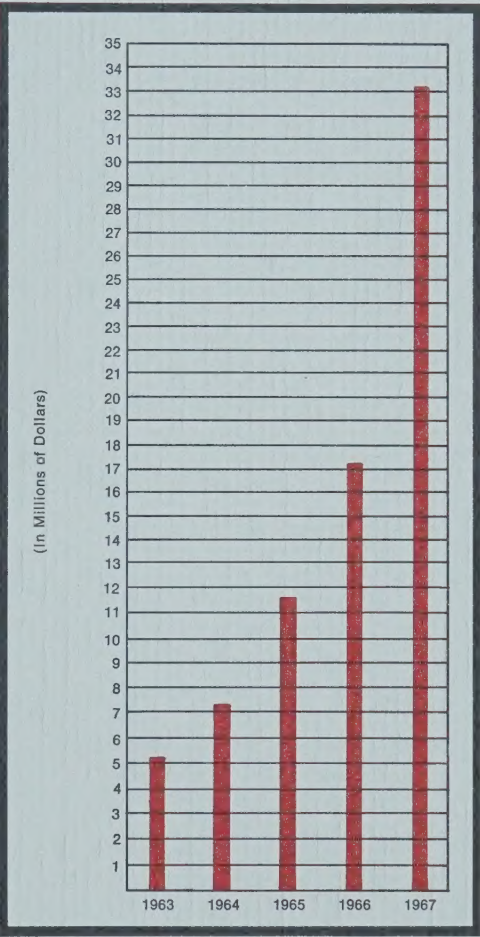
(WITH COMPARATIVE FIGURES FOR 1966)

	1967	1966
SOURCE OF FUNDS		
From operations	(\$ 70,968)	(\$168,212)
Add: Charges not involving an outlay of funds		
Amortization of leasehold improvements	4,005	3,955
Sale of Class 'A' shares	5,000	10,000
Sale of investments	341,200	
Profit on warrant trading	51,543	43,824
Sale of debentures		250,000
Increase in deferred income (net)	40,122	15,662
	<u>\$370,902</u>	<u>\$155,229</u>
USE OF FUNDS		
Increase in investment in subsidiary	\$ 8,688	\$ 10,283
Purchase of fixed assets	29,981	44,223
Bank loan repayment		125,000
Transfer to current liabilities	125,000	
	<u>\$163,669</u>	<u>\$179,506</u>
Increase or (decrease) of funds	<u>\$207,233</u>	<u>(\$ 24,277)</u>
Working capital at beginning of the year	69,136	93,413
Working capital at end of year	<u><u>\$276,369</u></u>	<u><u>\$ 69,136</u></u>

**GROWTH OF ASSETS
UNDER ADMINISTRATION**



at December 31



at December 31

**CANADIAN SECURITY
GROWTH FUND LTD.**

Canadian Security Growth Fund Ltd. is a diversified mutual fund with holdings in a variety of growth industries.

**CANADIAN GAS AND
ENERGY FUND LTD.**

Canadian Gas and Energy Fund Ltd. is a specialty mutual fund investing in the oil, gas, energy and natural resource industries.

These graphs illustrate the growth of assets administered by Canadian Security Management Limited on behalf of the two funds under our management.

DIRECTORS

Graham C. Ferguson
J. S. Gairdner
J. Howard Hawke
C. W. Leonardi, F.C.A.
Francis J. McDonald

OFFICERS

J. S. Gairdner
Chairman of the Board
Graham C. Ferguson
President
Francis J. McDonald
Vice-President
John S. Ewald
Vice-President
B. Bruce Lockwood
Secretary
E. J. Dessailly
Treasurer
Mrs. Marlene L. Yates
Assistant Secretary

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited
Montreal, Toronto,
Winnipeg, Vancouver

HOME OFFICE

Canada Square
2200 Yonge Street
Toronto, Canada

SALES OFFICES

1 Sackville Place
P.O. Box 334
Halifax, Nova Scotia

Harbour Building
P.O. Box 232
133 Prince William Street
Suite 602
Saint John, New Brunswick

Royal Trust Building
116 Albert Street
Suite 402
Ottawa 4, Ontario

Cleland & Flindall Building
837 Princess Street
Suite 402
Kingston, Ontario

351 Charlotte Street
Peterborough, Ontario

Olympia Square
797 Don Mills Road
Don Mills, Ontario

Towne & Countrye Square
6464 Yonge Street
Willowdale, Ontario

24A Clapperton Street
Barrie, Ontario

Stevens Building
65 Elm Street
Sudbury, Ontario

360 St. Paul Street
St. Catharines, Ontario

460 Main Street East
Hamilton, Ontario

Argyle Mall
Suite 210
1925 Dundas Street
London, Ontario

794 Ouellette Avenue
Windsor, Ontario

600-6th Avenue S.W.
Suite 704
Calgary, Alberta

Royal Bank Building
796 Granville Street
Vancouver 2, British Columbia

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Suite 480
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30 Queens Rd. Central
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